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Subject: Legislature shelves for now idea to require PSNH divestiture

FYI

News Headline: N.H. lawmakers indicate they won't push for PSNH to sell plants, at least for now | 

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Several key state lawmakers indicated yesterday they're not ready to force Public Service of New Hampshire to sell its three fossil fuel-burning power plants.

"Many unknowns equal caution," said Senate Majority Leader Jeb Bradley, a Wolfeboro Republican who helped lead New Hampshire's electricity deregulation effort in the 1990s. "I think that divestiture should be explored, but it has to be entered into cautiously, and I'm not ready to say that we should go there."

There was no vote or decision by the Electric Utility Restructuring Legislative Oversight Committee. But a majority of members signaled yesterday they weren't ready to immediately pursue divestiture, though they didn't take the option off the table.

"I do not believe that this committee, right now, has enough answers to proceed. . . . I think we're jumping the gun, putting the cart before the horse," said Rep. Jackie Cali-Pitts, a Portsmouth Democrat. "I think we're trying to make decisions here in a vacuum because we feel pressed. And I think that decisions, when they're made that way, are not necessarily good ones."

The current debate stems in large part from low natural gas prices that have driven down the cost of electricity in New England. PSNH, the state's largest electric utility, has higher prices than the market rate, prompting a growing number of customers to switch to cheaper suppliers.

PSNH has additional costs because it owns and operates power plants including the coal-burning Merrimack Station in Bow; Newington Station, which uses oil and natural gas, in Newington; and Schiller Station in Portsmouth, which burns coal, oil and wood.

Among those costs: a \$422 million scrubber at Merrimack Station designed to reduce mercury emissions and other air pollution. The scrubber went online in 2011, and a case is pending at the Public Utilities Commission over how much PSNH can charge customers to pay for it.

Some lawmakers and regulators fear PSNH's costs will burden an ever-shrinking customer base unless it sells off the plants or takes other action. But PSNH wants to keep its plants, saying they provide flexibility for the state's energy supply.

Former PSNH president Gary Long told the legislative committee earlier this month that forcing the utility to sell them would be a mistake.

"Divestiture is a one-way street," Long said at an Aug. 7 hearing. "Once you do it, you can't go back. You're stuck."

Rep. Bob Backus, a Manchester Democrat, said yesterday he doesn't think the Legislature should tolerate the status quo and assume the problem will solve itself.

"I do think there is something that we need to address here as the state of New Hampshire," Backus said.

That could mean the "complete divestiture" of PSNH's plants, he said, completing the deregulation process that began in the 1990s. He said it could be mandated by the Legislature or ordered by the PUC after a review.

Bradley said divestiture should be explored and discussed. But he and other committee members said, for now, they need to gather more information.

"I certainly feel that it's premature to make any decision at this time," said Sen. Martha Fuller Clark, a Portsmouth Democrat.

PSNH sounded a similar note.

"Any discussion about the possible divestiture of our existing regulated generation has to be very thoughtful and deliberate," said spokesman Martin Murray in a statement. "The Legislature just this year passed a law mandating the development of a state energy strategy, and required that it include consideration of existing generation, reliability and jobs. It would certainly be premature to decide to move forward with divestiture before answering the basic questions that will be addressed as part of the energy strategy."

Members of the oversight committee yesterday also discussed the implications of Entergy Corp.'s announcement Tuesday that it would shut down the Vermont Yankee nuclear power plant, just across the border from New Hampshire, in 2014.

Backus said the decision indicates the industry believes natural gas prices will remain low for some time to come. Bradley said nuclear plant retirements are something the committee should keep in mind, saying, "Are there other surprises on the horizon?"

(New Hampshire's sole nuclear plant, Seabrook Station, accounted for 42 percent of the state's net electricity generation in 2011, according to the U.S. Energy Information Administration.)

Murray said the plan to decommission Vermont Yankee bolsters PSNH's case to keep its plants.

"With the shutdown of Vermont Yankee, we will see even more power coming from natural gas, a source that we are already overly dependent on," he said. "That dependency has been called a critical reliability challenge by the operator of the region's power grid. The fact that New Hampshire maintains a diverse portfolio of regulated power plants is an overall benefit to the state."

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